

NOTICE TO READERS:

Dairy Market News has updated the order of the pages in our weekly report.

Pages 1-7 will be reports generated/prepared by Dairy Market News. (Page 7 will be CCC statistics, etc.)

Page 8 (odd numbered reports) will be International Dairy Market News.

Page 8 (even numbered reports) and greater will be information from other agencies/sources.

Most weeks, the last two pages will contain graphs.

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (05/12)
BUTTER: Grade AA closed at \$1.1775. The weekly average for Grade AA is \$1.1755 (-.0005).

CHEESE: Barrels closed at \$1.1800 and blocks at \$1.1700. The weekly average for barrels is \$1.1495 (+.0205) and blocks, \$1.1630 (+.0030).

BUTTER: The CME cash butter price has maintained an unchanged price level for 8 consecutive trading sessions, but gained 1/4 cent at week's end. Some butter producers and handlers still feel that the price will dip in coming weeks as more of the country gets in the peak milk production period and schools close for the summer. This will force more milk through butter/powder plants. Churning activity has been heavy all spring and remains that way in most parts of the country. Cream volumes vary, but for the most part are readily available for Class IV needs. Class II demand is increasing, especially for ice cream production, typical for this time of the season. Current butter production continues to surpass demand, thus inventories continue to build. CME butter stocks grew by 6.8 million pounds last week to stand at 139.3 million pounds. Bulk butter demand remains slow. Retail and food service sales are little changed at slow to fair levels.

CHEESE: The cheese market is firm though cautious after recent price movements. CCC purchased 198,000 pounds of Midwest process cheese at \$1.1889 per pound under the price support program, the first process activity since July 2003. The activity surprised many observers. Commercial barrel interest has been good with supplies tight. Processors are using sizeable volumes of undergrades to fill cookers. Mozzarella production is starting to catch up after recent pizza promotions. Natural American supplies are adequate though tightest supplies remain for non-cheddar varieties. Cheese production is seasonally active with most plants operating near or at capacity. Cumulative first quarter 2006 cheddar production totals 782.7 million pounds, up 14.2 million pounds (1.8%) from the same period in 2005. Total cheese output for 2006 totals 2.303 billion pounds, up 46.9 million pounds (2.1%) from a year ago.

FLUID MILK: Milk production is showing more declines in the Deep South as higher temperatures begin to take their toll on cow comfort. Farther north, the milk flow is, in many areas, still increasing toward the peak. In many areas lower quality and availability of feed are impacting the milk flow. Some farmers are "stretching" their feed supplies as well as buying additional quantities to carry them to green-grass availability. Because of this, fat and protein tests are being negatively affected. In the Pacific Northwest and other parts of the West, pasture growth is good and grass silage is being harvested. Class I milk sales are slowing as colleges and some schools are recessing for the summer. This is forcing more milk into manufacturing channels at a time when most cheese and butter/powder plants are full. Some easing of surplus milk supplies is noted in the Southeast, but plants there are at capacity on weekends. The fluid cream market is weak despite a slight increase in Class II demand. Supplies are excessive with offerings to butter makers heavy.

DRY PRODUCTS: Dry products markets are generally trending steady to weak with the exception of the lactose market which continues to be firm. As schools recess for the summer and milk production seasonally increases, more milk is expected to filter into manufacturing. Production of SMP is decreasing while NDM production is increasing, resulting in continued offerings of NDM to the government. Supplies of dry buttermilk are readily available for the very light interest. Production is seasonally strong, encouraging stocks to build. Whey markets are mixed. Although export demand is improving and alleviating some stock excess, domestic interest is slow to fair and production is seasonally strong. The WPC market remains weak yet the downward trend may be easing. WPC demand in export markets is better than the domestic market. Lactose prices are slightly higher and supplies are short of buyer interest. Lactose market trends for the latter half of the year are speculative.

CCC: During the week of May 8 - 12, the CCC purchased 5,995,562 net pounds of NDM and 198,000 pounds of process cheese. All the NDM was offered from the West and the cheese came from the Central region.

MARCH 2006 DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 142.0 million pounds in March, 16.0% above March 2005 and 3.7% above February 2006. American type cheese production totaled 338.4 million pounds, 2.1% above March 2005 and 11.2% above February 2006. Total cheese output (excluding cottage cheese) was 809.7 million pounds, 1.5% above March 2005 and 12.3% above February 2006. Nonfat dry milk production, for human food, totaled 128.1 million pounds, 17.2% above March 2005 and 9.1% above February 2006. Dry whey production, for human food, was 97.8 million pounds, 17.1% above March 2005 and 15.9% above February 2006. Ice cream (hard) production totaled 77.9 million gallons, 1.1% below March 2005 but 23.8% above February 2006.

FEBRUARY MAILBOX MILK PRICES FOR SELECTED REPORTING (DAIRY PROGRAMS): In February 2006, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$13.57, \$.86 less than the figure for the previous month. The component tests of producer milk in February 2006 were: butterfat, 3.76%; protein, 3.07%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas, and ranged from \$16.68 in Florida to \$11.57 in New Mexico. In February 2005, the Federal milk order all-area average mailbox price was \$15.24, \$1.67 higher.

MARCH FLUID MILK SALES (AMS & CDIB): During March, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.7% higher than March 2005. After adjusting for calendar composition, sales in March 2006 were 2.1% higher than March 2005. On an individual product basis, sales of reduced fat (2%) milk, low fat milk (1%), fat-free (skim) milk, and flavored fat-reduced milk increased from March 2005, while sales of whole milk, flavored whole milk, and buttermilk decreased from a year earlier. It is likely that the timing of the Easter holiday this year has had a positive impact on the change in sales from March 2006 compared to March 2005.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

| PRODUCT | MONDAY MAY 8 | TUESDAY MAY 9 | WEDNESDAY MAY 10 | THURSDAY MAY 11 | FRIDAY MAY 12 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|---------------|--------------------|----------------------|----------------------|----------------------|----------------------|-------------------|----------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.1250 (N.C.) | \$1.1350 (+.0100) | \$1.1400 (+.0050) | \$1.1675 (+.0275) | \$1.1800 (+.0125) | (+.0550) | \$1.1495 (+.0205) |
| 40# BLOCKS | \$1.1600 (N.C.) | \$1.1600 (N.C.) | \$1.1600 (N.C.) | \$1.1650 (+.0050) | \$1.1700 (+.0050) | (+.0100) | \$1.1630 (+.0030) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.1750 (N.C.) | \$1.1750 (N.C.) | \$1.1750 (N.C.) | \$1.1750 (N.C.) | \$1.1775 (+.0025) | (+.0025) | \$1.1755 (-.0005) |

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, MAY 8, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.1250; 2 CARS 40# BLOCKS @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1250
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.1700; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.1750, 1 @ \$1.1675, 1 @ \$1.1650; OFFERS UNCOVERED: NONE

TUESDAY, MAY 9, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1350; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: 6 CARS GRADE AA: 2 @ \$1.1725, 2 @ \$1.1700, 2 @ \$1.1675; OFFERS UNCOVERED: NONE

WEDNESDAY, MAY 10, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS BARRELS: 2 @ \$1.1400, 1 @ \$1.1350, 2 @ \$1.1250; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: 10 CARS GRADE AA: 5 @ \$1.1750, 1 @ \$1.1700, 2 @ \$1.1675, 2 @ \$1.1650; OFFERS UNCOVERED: NONE

THURSDAY, MAY 11, 2006

CHEESE — SALES: 3 CARS BARRELS @ \$1.1675; 1 CAR 40# BLOCKS @ \$1.1650; BIDS UNFILLED: 5 CARS BARRELS: 3 @ \$1.1600, 2 @ \$1.1300; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1650
 BUTTER — SALES: NONE; BIDS UNFILLED: 5 CARS GRADE AA: 2 @ \$1.1725, 3 @ \$1.1700; OFFERS UNCOVERED: NONE

FRIDAY, MAY 12, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.1800; 1 CAR 40# BLOCKS @ \$1.1700; BIDS UNFILLED: 2 CARS BARRELS @ \$1.1600; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1700
 BUTTER — SALES: NONE; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.1775, 1 @ \$1.1750, 2 @ \$1.1725, 1 @ \$1.1700; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.2100

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A, February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (N.C.).

BUTTER MARKETS**MARCH BUTTER PRODUCTION**

During March 2006, butter production in the United States totaled 142.0 million pounds, 16.0% more than March 2005 and 3.7% more than February 2006. The following are March to March changes for various states: CA +27.7%, NY -2.1%, PA +18.5%, and WI +5.8%.

NORTHEAST

The butter market remains weak. The CME cash market price has, through 5/8, held at \$1.1750 since May 2 (five consecutive sessions). Some contacts still feel that the price will dip in coming weeks as more of the country gets in the peak milk production period and schools close for the summer. This will force more milk through butter/powder plants. Churning activity is still heavy. Bulk butter demand remains slow. Retail and food service sales are little changed at slow to fair levels. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

Through mid week, the cash butter price at the CME has held steady at \$1.1750 for the past seven trading sessions. This is the longest unchanged stretch since daily trade began in January and the longest time period since December 2005. Many producers and handlers are hopeful that the cash price will stabilize within a narrow range of this level during the flush season. Cream supplies remain readily available to butter operations in the Central part of the country. Some Central butter producers state that outside cream offerings appear to be slightly lower than in recent weeks. Some feel that Class II demand, especially for ice cream, is improving which is typical for this time of the season. Some Central butter producers are not procuring additional cream volumes at this time because they

can maintain desired churning schedules with their normal cream supplies. Production continues to surpass demand, thus inventories are increasing. Butter demand is fair for this time of the season. Some scattered retail feature activity continues to be reported which is clearing good volumes of print butter. Food service orders are steady. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Prices for butter at the cash CME market have held at \$1.1750 for seven trading sessions. Contacts don't seem to think there is much reason for the market to increase at this time and the market fundamentals may mean that a decrease should be more likely. Churning activity has been heavy all spring and it remains that way. Some other cream users are stepping up production, but it is not having much impact on butter output. Food service orders for the upcoming Mother's Day weekend have been good and the summer vacation season is also stimulating some additional action. March U.S. butter production totals 142.0 million pounds, up 16.0% from last year. Cumulative output for the first three months of the year totals 426.2 million pounds, up 16.0% from the same period last year. This is the largest first quarter production of butter ever recorded. This is an increase of 58.9 million pounds for the first 13 weeks of the year or a weekly average increase of 4.5 million pounds. The Western region in March produced 63.5 million pounds, up 23.8% (+12.2 million pounds) from March of 2005. The West produced 44.7% of the butter in the U.S. in March. The CME weekly warehouse total increased by 6.8 million pounds last week to stand at 139.3 million pounds. In the last five weeks, stocks have increased 24.7 million pounds compared to 26.4 million pounds during the same period last year. Prices for bulk butter range from 3 cents under to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

| | CHEESE | | NDM | BUTTER | DRY WHEY |
|--------------------|------------|-------------------------|------------|-----------|------------|
| | 40# BLOCKS | BARRELS 38% MOISTURE | | | |
| WEEK ENDING | | | | | |
| MAY 6 | 1.1502 | 1.1387 | 0.8338 | 1.1621 | 0.2852 |
| | 8,695,657 | 10,587,626 | 20,052,855 | 2,841,836 | 13,048,587 |

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices and the market tone are fairly steady. Some fractional declines were noted on process items, but the cash prices at the CME have been very stable for the past month or so. Cheese output in the Northeast is heavy and surplus milk volumes are growing along seasonal patterns. Cheese supplies are more than adequate to cover needs. Cheddar sales are seasonally slow, but producers are putting most cheddar into aging programs. Mozzarella and process orders are fairly good. Retail sales are mostly steady and food service orders are starting to pick up as vendors along the Eastern Shore begin to place orders for the Memorial Day weekend, the beginning of the "summer season."

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|-----------------------------|---|---------------|
| Cheddar 10# Prints | : | 1.2425-1.7625 |
| Cheddar Single Daisies | : | 1.2000-1.6850 |
| Cheddar 40# Block | : | 1.3000-1.5725 |
| Process 5# Loaf | : | 1.3400-1.5825 |
| Process 5# Sliced | : | 1.3600-1.5875 |
| Muenster | : | 1.3150-1.5175 |
| Grade A Swiss Cuts 10 - 14# | : | 2.4500-2.6500 |

MIDWEST

The cheese market is about steady. Some firms are working on filling orders for June and July 4th promotions. Mozzarella is still snug but a few spot loads are starting to appear. Mozzarella demand typically slows as schools and colleges close for the summer and temperatures rise. Current natural cheddar supplies are adequate though occasional tightness is noted on other natural American varieties such as colby and mixtures. Barrels remain tight though reports indicate that large volumes of undergrades for processing and/or shredding have recently cleared the market. Process interest is seasonally moderate. Shred lines remain active. Some retailers are getting more comfortable with prices and/or forecasts to make advertising commitments out a few months on various cheese items. Milk volumes are increasing though cheese yields are declining seasonally. Most plant operators expect plant capacity to be pushed to the limit to handle milk supplies over the next few weeks. CCC purchased 198,000 pounds of Midwest process cheese under the price support program, the first such sale since July 2003.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.4000-1.5750 |
| Brick And/Or Muenster 5# | : | 1.6200-1.7050 |
| Cheddar 40# Block | : | 1.4900-2.2650 |
| Monterey Jack 10# | : | 1.6200-2.2650 |
| Blue 5# | : | 2.0100-2.3000 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.3350-2.3650 |
| Grade A Swiss Cuts 6 - 9# | : | 2.3050-2.8300 |

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

| BUTTER : CHEESE | | | |
|-----------------|--------|---|---------|
| | | : | |
| 05/08/06 | 43,670 | : | 133,770 |
| 05/01/06 | 41,651 | : | 134,768 |
| CHANGE | 2,019 | : | -998 |
| % CHANGE | 5 | : | -1 |

WEST

The block cheese price at the CME has held at \$1.16 for 23 of the last 24 trading sessions. Barrel prices increased 1 1/2 cents this week to stand at \$1.14 at midweek. The barrel market is tight in the countryside as processors search for any kind of processing solids. Under grade cheese is clearing very easily to end users with quite a bit of competition noted for the product. On May 9, a total of 198,000 pounds of process cheese was offered to the price support program from the Central region. Buyers looking for a couple of loads of number one block cheese may be able to find it with a few phone calls, but if they want a 5-10 load block they are probably looking at the second half of June for a delivery time. Even with Swiss production ahead of last year, demand is able to clean up offerings in a timely fashion. Demand for Mozzarella is strong enough that very little additional production is going into the freezer at this time and some may be on the verge of coming back out. Finding trucks to haul finished cheese is becoming more of a problem at some of the more distant locations as fuel prices rise. Total U.S. cheese production reached 809.7 million pounds in March, up 1.5% from one year earlier. Output for the first three months of the year totals 2.30 billion pounds, up 2.1% from the same period in 2005. The increase from last year is 46.9 million pounds, which works out to a weekly increase in production of 3.6 million pounds this year versus last year. In March, the Western region produced 342.7 million pounds, up 4.0% from last year and 42% of the U.S. total. Swiss output in March for the U.S. is 26.2 million pounds, up 8.3% from a year earlier.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.2850-1.5425 |
| Cheddar 40# Block | : | 1.2800-1.6325 |
| Cheddar 10# Cuts | : | 1.4600-1.6800 |
| Monterey Jack 10# | : | 1.4700-1.6300 |
| Grade A Swiss Cuts 6 - 9# | : | 2.3500-2.7000 |

FOREIGN

Prices and the market tone are unchanged. Supplies of most imported and/or foreign-type cheeses are adequate to cover the seasonally slow to fair demand. Typically, sales/consumption of imported cheeses, particularly consumer-size quantities slows after Easter. Demand for imported cheese for processing, is fairly steady, but with the U.S. cheese prices as low as they have been this spring, imports of cheese for this purpose are lagging.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| NEW YORK | | | |
|--------------------------|---|-----------------|-----------------|
| VARIETY | : | IMPORTED | : DOMESTIC |
| Roquefort | : | TFEWR | : -0- |
| Blue | : | 2.6400-4.4300 | : 1.5550-3.0450 |
| Gorgonzola | : | 3.6900-5.9400 | : 2.0650-2.4900 |
| Parmesan (Italy) | : | TFEWR | : 2.9700-3.0750 |
| Romano (Italy) | : | 2.1000-3.1900 | : -0- |
| Provolone (Italy) | : | 3.4400-6.0900 | : 1.5550-1.7925 |
| Romano (Cows Milk) | : | -0- | : 2.7550-4.8950 |
| Sardo Romano (Argentina) | : | 2.8500-3.2900 | : -0- |
| Reggianito (Argentina) | : | 2.6900-3.2900 | : -0- |
| Jarlsberg-(Brand) | : | 3.1200-4.1500 | : -0- |
| Swiss Cuts Switzerland | : | -0- | : 2.4500-2.6500 |
| Swiss Cuts Finnish | : | 2.5900-2.8500 | : -0- |
| Swiss Cuts Austrian | : | TFEWR | : -0- |
| Edam | : | | : |
| 2 Pound | : | TFEWR | : -0- |
| 4 Pound | : | 2.1900-3.5600 | : -0- |
| Gouda, Large | : | TFEWR | : -0- |
| Gouda, Baby (\$/Dozen) | : | | : |
| 10 Ounce | : | 27.8000-31.7000 | : -0- |

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
|------------------|-----------|-----|-----------|-----|-----------|-----|
| | IN | OUT | IN | OUT | IN | OUT |
| FLORIDA | 0 | 154 | 0 | 45 | 0180 | |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

The following are the April 2006 Class and component prices under the Federal Milk Order pricing system: Class II \$11.37 (down \$.32 from March), Class III \$10.93 (down \$.18), and Class IV \$10.36 (down \$.32). The following are the product price averages used in computing Class prices: butter \$1.1436, NDM \$0.8429, cheese \$1.1654 and dry whey \$0.3054. The Class II butterfat price is \$1.2413 and the Class III/IV butterfat price is \$1.2343. Milk production is declining more noticeably in the Deep South this week. Higher temperatures are often cited as the cause of the lighter output. Some welcomed rain has fallen in Florida, but will likely have little impact on the milk flow. Contacts in Florida comment that the milk flow is mostly steady and that sales have slowed significantly, which manifest itself in a sharp increase in the volumes of milk shipped out of state this week. Some colleges and universities are winding up for the summer and a few schools are closing, which greatly impact Class I milk sales. Farther north, the milk flow is at or near the peak. Contacts in New England state that the flush is near. Some welcomed rain has fallen, which will spur grass/pasture growth. Fluid milk supplies are more than excessive. Surplus milk volumes were heavier last week and some contacts commented that they were "hammered" with milk over the weekend and were still trying to clear those volumes at midweek. In the Southeast, manufacturing plant schedules are lighter due to the drop in milk flow. However, most are still running at or near capacity levels during weekends. The condensed skim market is little changed. Contract sales clear steady volumes, but spot interest is still light. Prices are mostly steady to lower, particularly Class III. The fluid cream market is mixed. Some improved demand is noted, but supplies are still excessive. A few contacts commented that cream loads are not quite as long as they have been. Sarcastically, one supplier commented that it took "all of ten minutes" to find a load early this week. Some contacts note that Class II cream demand is improving along seasonal patterns. More ice cream makers are stepping up output to meet seasonal demand. Spot prices are often lower as the CME average butter prices dipped 1.2 cents last week. Also, the multiples held fairly steady, but the high-end and low-end did drop this week. Bottled and whipping cream production is improving slightly. Churning activity is heavy and some butter makers are being pressured by cream supplies to run daily.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

| | | |
|--|---|-------------------------------|
| F.O.B. PRODUCING PLANTS: NORTHEAST | - | 1.3759-1.4935 |
| DELIVERED EQUIVALENT: ATLANTA | - | 1.3877-1.5170 M 1.4465-1.4935 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 1.4112-1.5288 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

| | |
|--|---------------|
| F.O.B. PRODUCING PLANTS: | |
| NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES | - .8900-.9800 |
| NORTHEAST - CLASS III - SPOT PRICES | - .8800-.9400 |

M I D W E S T

Class I demand is steady to slower where schools and colleges are closing for the summer. Some bottlers have had to cut back on volumes from regular suppliers, adding to manufacturing plant volumes and increasing capacity woes. Class II demand is generally good from ice cream and mix accounts, though demand still seems lighter than expected in areas with few competitors. Sour cream, cottage cheese and dips production are about average. Manufacturing milk supplies remain ample to burdensome. Plant operators that need an extra load or two of milk are able to acquire it with little problem due to the large pool of milk available. Reported spot prices, on a very light sample, range from around -\$0.75 to flat class net seller for local supplies with -\$1.50 to -\$2.00 offered on the "long hauls". Plant operators are hoping for no production problems since "cushion" plant capacity is extremely limited. While some producers would like to change milk buyers, few buyers (plant operators) are interested in adding a producer due to concern with having enough peak plant capacity for current patrons. Current milk receipts are steady to occasionally higher. Fat and protein tests are generally lower, especially where grazing is more common. Some producers are running out of feed, trying to last until fresh green chop or feed becomes available which also affected solids. While some plant operators in the

upper tier states hope that they may have hit their peak early, no one is guaranteeing their peak has already been reached. Recent rains have slowed spring planting and cool temperatures delayed alfalfa maturation. Hot temperature (90+) has slowed the milk flow in the southern states in the region, though surplus milk volumes continue to be shipped out for processing elsewhere due to lack of plant capacity. Though the winter wheat crop in the southern sections was poor, recent rains have improved summer crop conditions.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

| | MAY 4 - 10 | PREVIOUS YEAR |
|---------------------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 47.00- 54.00 | \$ 57.00- 63.00 |
| REPLACEMENT HEIFER CALVES | \$300.00-650.00 | \$430.00-750.00 |

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

| | MAY 4 - 10 | PREVIOUS YEAR |
|----------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 45.00- 54.00 | \$ 54.50- 69.00 |

W E S T

The June 2006 Class 1 prices in CALIFORNIA range from \$12.35 in the north to \$12.62 in the south. The statewide average Class 1 price based on production is \$12.37. The average is 1 cent higher than May 2006 and \$2.44 less than June 2005. CALIFORNIA milk production trends are more sporadic when compared to recent weeks. Contacts in the South and Central Valley are reporting variable intake levels. The weather is not a stressing factor in the southern milk producing areas. Warmer temperatures, modest feed quality, and other conditions are coupling together to flatten or drop milk intakes in the Central Valley. More northern milk producing areas are seeing milk output steady to higher. Overall, there remains a surplus of milk in the state. Milk and components are moving to available processing plants. Bottling milk demand is steady to lower. Some colleges are beginning to recess for the semester. Subsequent weeks will see additional colleges and schools begin summer breaks. Haying is taking place across the state. Quality has been affected by recent rains. Some hay was past maturity and other had rain damage. Depending on upcoming crops, there could be an impact on milk output later in the year. ARIZONA milk production is flat, although daily levels are bouncing. The first 100 degree days of the year are occurring, which usually foretell the peak of the yearly production. With still cool, nighttime temperatures, the milk cows are not being stressed. The impact on components is not apparent. Processing plants are running on expected schedules. There is less milk from nearby states being processed. NEW MEXICO hay harvesting has begun in the south. Early indications are that quality is good with prices 10 to 15 dollars higher than last year. Total harvest this year will be impacted by declines in water allocations for the irrigated crop. Milk volumes are mainly steady in the state. Levels continue to be above last year with additional cows on farms and better producing conditions. Processing plants are getting all the milk they need. CREAM markets continue to be stressed as surplus volumes are offered out in the region. The best scenario is for cream to be handled locally. Shipping rates are increasing with higher fuel surcharges and additional charges for backhauling. Butter churning remains heavy in the region. Ice cream production is increasing slower than expectations. California cream supplies remain heavy. Loads are trading for in plant costs and lower, on a delivered basis. Multiples and equivalents range from the mid 90's to 118, FOB. These vary depending on class usage and basing points/prices. Milk production conditions in the PACIFIC NORTHWEST are close to ideal for the spring season. Pastures are now in good shape and grass silage is being harvested. Hay harvesting is just commencing in the Tri-Cities area of southern Washington. Hay quality looks good and prices are firm to start off the new season. Milk production continues to increase seasonally. Plants are generally as full as they want to be with current market conditions. Outside milk is coming into the region for processing and some outside offerings are being turned down. Heifer prices at a monthly sale in the region are indicated to be \$100-200 lower with supreme springing heifers quoted at \$1700-2000. Animals sold at a private party sale in the region at the farm of origin were indicated to find very good demand and prices higher than anticipated with most of the animals ending up in California. Conditions for milk production are close to ideal in UTAH and IDAHO. Temperatures this week are in the high 70's to low 80's with no real moisture predicted. Spring field work is moving forward at a fast pace. Some early hay has been cut, but most is probably a week to ten days off. Grain is seeded and corn is being planted. Milk plants are running at near capacity levels and milk is moving into, out of, and around the region to handle processing in an efficient manner. Heifer prices at two sales in the region are declining more rapidly. The Idaho sale has lost a little over \$100 in the last few weeks with the average heifer at \$1960. The Utah sale has seen a much sharper decline. The average price is off almost \$375 to now stand at \$1520. Prices have not been this low since November of 2004.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a steady to weak market. Production is increasing in response to increased milk production. With schools closing for the summer, milk is anticipated to be diverted away from Class I facilities and into Class IV operations, further increasing low heat NDM production. To encourage sales, some plants reduced prices whereas others persistently market at formula driven prices derived in part from the NASS pricing series. Western sales, as low as 80 cents, are competitive with Central region low heat NDM offerings. High heat NDM is available for the mostly contractual interest.

EAST: Prices are lower this week as the NASS average NDM price (the basis for most NDM sales) decreased about \$0.01 last week. Production levels remain heavy in the East, although output in the South is starting to taper off in some plants. Surplus milk volumes are heaviest on weekends. With more colleges and some schools ending classes, Class I milk needs will likely be lighter in coming weeks, which will push more milk into manufacturing channels. Producer stocks are growing as demand is barely keeping pace with production. Some ongoing export and contract sales are clearing decent volumes, but they can hardly match production. Spot buyers have little or no difficulty finding powder and most spot sales are made through the resale side of the market.

DAIRY PRODUCTS: Production of human food, NONFAT DRY MILK during March 2006 totaled 128.1 million pounds, up 17.2% from March 2005 and 9.1% above February 2006. Month ending stocks, at 126.5 million pounds, are 49.2% above a year ago and 5.9% above last month. Production of SKIM MILK POWDER, a blended product with a standardized protein content, totaled 20.0 million pounds, 29.0% lower than March 2005 and 22.0% below February 2006. Month ending stocks are not reported for this commodity.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8000 - .8950 MOSTLY: .8200 - .8450
HIGHHEAT: .8850 - 1.0200

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are mixed. Some trading at last week's low end of the range has moved higher, whereas, higher end trading prices have eased as basing points were reported at lower levels. The general market tone remains weak. The fundamentals point towards seasonally, heavy production coupled with lower than projected export and domestic demand. The result has been continued offerings of NDM to the price support program and less SMP made for current exporting. Shipping rates are increasing and causing more complications in moving powder from the region. Buyers in other regions are attempting to offset higher shipping costs by buying powder at a closer location. Overall, stocks remain heavy. During the week of May 1-5, 6.5 million pounds of NDM were offered by Western producers to the CCC support program. Additional volumes have cleared this week. High heat prices are slightly lower. The market is mainly balanced. High heat production continues to be light as high heat takes a backseat to throughput at plants. Demand is fair from accounts and is in balance with supply levels. U.S. NDM production in March totaled 128.2 million pounds, 17.2% higher than last year and 9.1% more than last month. Cumulative NDM production for the first three months total 352.8 million pounds, up 17.7% from the same period in 2005. Skim milk powders (SMP) production in March totaled 20.0 million pounds, down 29.0% from last year and 22.0% less than last month. (This is the first monthly Dairy Products Report containing SMP production.) March NDM production in the Western region totaled 91.0 million pounds, up 20.9% from last year. The West produced 71% of the U.S. total in March. California produced 61.7 million pounds, up 40.3% from March 2005. U.S. manufacturers' stocks at the end of March were reported at 126.5 million pounds, 49.2% more than last year and 5.9% higher than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .7950 - .8475 MOSTLY: .8050 - .8150
HIGHHEAT: .8400 - .8800

DRY BUTTERMILK - CENTRAL

Prices are unchanged to lower on a steady to weak market. Prices continue to vary depending on plant quality and location. Interest in spot trade is light with most movement occurring on a contractual basis. Production is mixed. Whereas some plants are able to adequately clear condensed buttermilk to end-users, others are increasing their dryer schedules to adequately handle condensed buttermilk volumes. Western offerings are competitively priced to the Central market. Production of dry buttermilk during March 2006 totaled 7.4 million pounds, 29.8% more than March 2005 and 19.7% above February 2006. Month ending stocks, at 15.6 million pounds, are 180.4% above a year ago but 8.6% lower than February 2006.

F.O.B. CENTRAL: .6700 - .7900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are often lower and the market tone remains weak. Northeastern prices are nominal. Production levels, paralleling churning activity, remain heavy. Eastern producers are commenting that inventories are growing and demand is not keeping pace with output. Price discounts are more common as producers try to stimulate some interest. However, spot buyers, seeing lower prices, are waiting for better offers and buying only for immediate needs. Dry buttermilk production during March 2006 totaled 7.4 million pounds, up 29.8% from March 2005 and 19.7% more than February 2006. Month ending stocks, at 15.6 million pounds, are nearly three times more than a year ago but 8.6% less than a month ago.

F.O.B. NORTHEAST: .6700 - .7000
DELVDSOUTHEAST: .7000 - .7400

DRY BUTTERMILK - WEST

Western dry buttermilk prices are mixed. The bottom of the range increased, while the mostly series declined. The market tone remains weak. There are loads available from most producers and blocks of product are being offered. Contacts feel that prices could still trade lower as producers look to clear inventory to either domestic or export accounts. Production remains active to process available buttermilk solids. Drying time remains at a premium as processors are taking in seasonally heavy volumes of milk. U.S. dry buttermilk production in March totaled 7.4 million pounds, up 29.8% from last year and 19.7% more than February. Stocks at the end of March were 15.6 million pounds, 2.8 times more than last year but 8.6% lower than last month.

F.O.B. WEST: .6300 - .6800 MOSTLY: .6400 - .6500

DRY WHOLE MILK - NATIONAL

Prices are generally lower and nominal. Production is light and plant stocks are closely balanced. The market tone is steady. Dry whole milk production during March 2006 totaled 2.4 million pounds, down 8.3% from March 2005 and 24.6% less than February 2006. The CWT industry-operated export program, accepted two more bids export whole milk powder; 160 MT (352,736 pounds) to Guatemala and 20 MT (44,092 pounds) to El Salvador.

F.O.B. PRODUCING PLANT: 1.1475 - 1.2000

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| May 5 | \$.8295 | 9,679,719 | 2,279,216 |
| April 28 | \$.8314 | 8,140,124 | 2,180,384 |

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to lower on a mixed market. The disparity in price noted between U.S. and European prices has encouraged some producers to market whey into export markets. As a result, supplies are in better balance at some locations. Reports of whey being long are also noted. Most buyers are able to add loads onto their contracts if desired. Trends in the market are ambiguous. Some contacts suggest that whey prices are artificially reduced to placate milk handler interest in mitigating the whey expense in the milk formula. Others state that increased supplies of condensed whey, filtering into year round and seasonal dryers, are affecting trade. Feed whey stocks are limited for the good interest. Production of HUMAN FOOD, dry whey during March 2006 totaled 97.8 million pounds, 17.1% more than March 2005 and 15.9% above February 2006. Month ending stocks, at 40.6 million pounds, are 16.7% above a year ago and 11.6% more than February 2006. Production of ANIMAL FEED, dry whey during March 2006 totaled 3.9 million pounds, 52.2% less than March 2005 and 25.6% below February 2006. Month ending stocks, at 1.6 million pounds, are 64.3% lower than a year ago and 55.6% less than February 2006.

F.O.B. CENTRAL: .2675 - .2875 MOSTLY: .2700 - .2750
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .2700

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to lower in the Northeast; steady to higher in the Southeast. Production levels are still heavy and offerings are more than ample in both the direct-from-producer and resale sides of the market. The market tone is weak. Market activity is limited. Demand is slow to fair. Production of human food, dry whey during March totaled 97.8 million pounds, 17.1% more than March 2005 and 15.9% more than February 2006. Month ending stocks, at 40.6 million pounds, are 16.7% above last year and 11.6% more than a month ago. Production of animal feed, dry whey during March totaled 3.9 million pounds, 52.2% less than a year ago and 25.6% below February 2006.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2750 - .3075
DELVD SOUTHEAST: .2900 - .3200

DRY WHEY - WEST

Range prices for Western whey held steady while the mostly moved fractionally lower. Some producers are in very good shape with minimal inventories while others report heavier stocks and reduced prices to stimulate sales. Production is heavy with more whey solids being marketed as dry sweet whey at this time. Export sales continue to be a very positive factor for the market. U.S. whey production in March totals 97.8 million pounds, up 17.1% from last year. Stocks at the end of the month are 40.6 million pounds, up 16.7% from last year. The Western region, in March, produced 34.0 million pounds, up 40.5% from last year and 35% of the U.S. total. Cumulative total dry whey production for the first three months of the year is 279.7 million pounds, up 8.7% from the same period in 2005.

NONHYGROSCOPIC: .2700 - .3200 MOSTLY: .2950 - .3100

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. The downward trend is beginning to ease. Some producers are in a better position after marketing supplies of WPC 34% into export markets. However, production remains fairly strong and supplies of WPC 80% remain readily available as a competitive substitute to WPC 34%. Feed grade supplies of 34% and 80% WPC are available for the light interest. Production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during March 2006 totaled 25.8 million pounds, 15.8% higher than March 2005 and 5.9% above February 2006. Manufacturers' end-of-month stocks totaled 19.9 million pounds, 30.6% higher than a year ago and 10.2% above last month. Production of HUMAN AND ANIMAL WPC (50.0-89.9% PROTEIN) during March 2006 totaled 9.3 million pounds, up 10.3% from March 2005 and 7.4% above February 2006. Manufacturers' end-of-month stocks totaled 11.6 million pounds, 12.7% above last year and 0.6% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5750 - .6350 MOSTLY: .5900 - .6150

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Supplies are extremely tight and any available loads are generally trading above contractual prices set at the beginning of the quarter. Because supplies are currently limited, buyers and sellers are discussing the availability of lactose during the latter half of the year. Sellers believe the market will remain firm due to reduced production of 30-100 mesh lactose, increased demand from export markets and the lack of substitutes into products such as infant formula. Buyers report that the cure for high prices is usually high prices. In addition, increased milk volumes associated with increased production of dry permeate and lactose will deter further price increases in the latter half of the year. Lactose production during March 2006 totaled 58.1 million pounds, up 4.0% from March 2005 and 12.1% higher than February 2006. Month ending stocks, at 41.5 million pounds, are 35.8% lower than a year ago and 2.1% below last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .2400 - .3200 MOSTLY: .2500 - .2850

CASEIN - NATIONAL

Casein markets and prices are generally steady, although an unsettled undertone continues. Buyers and some suppliers continue to report that lower priced supplies are available in the marketplace. Although these stocks are available, some buyers remain hesitant to take advantage of the offerings due to uncertainty of source, makeup, and quality. Rennet stocks are available with demand slow due to low natural cheese prices. Acid demand is active with supplies less available than rennet volumes.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.1000
ACID: 3.0500 - 3.1500

EVAPORATED MILK - NATIONAL

Prices and the market tone are steady. Production levels are heavier as more milk is available in most parts of the country. The market remains highly competitive. Canned evaporated milk production during March totaled 43.1 million pounds, 11.7% less than March 2005 but 18.6% more than February 2006. Month ending stocks, at 40.7 million pounds, are 7.0% below a year ago and 34.2% less than last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00
Excluding promotional and other sales allowances. Included new price announcements.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE WEEK OF MAY 8 - 12, 2006 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|------------------------|----------------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/05 | SAME PERIOD LAST YEAR | WEEK ENDING 05/05/06 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Process | 198,000 | -0- | 198,000 | 198,000 | -0- | -0- | -0- |
| TOTAL | 198,000 | -0- | 198,000 | 198,000 | -0- | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | 6,094,769 | 99,207 | 5,995,562 | 33,248,925 | 31,817,269 | -0- | -0- |
| Fortified | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | 6,094,769 | 99,207 | 5,995,562 | 33,248,925 | 31,817,269 | -0- | -0- |

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

| | MILKFAT* BASIS | SKIM** SOLIDS | | MILKFAT* BASIS | SKIM** SOLIDS |
|---------------------------------------|----------------|---------------|------------------------------------|----------------|---------------|
| WEEK OF MAY 8 - 12, 2006 = | 3.1 | 71.7 | COMPARABLE PERIOD IN 2005 = | 0.0 | 0.0 |
| CUMULATIVE SINCE OCTOBER 1, 2005 = | 9.1 | 389.0 | CUMULATIVE SAME PERIOD LAST YEAR = | 7.0 | 370.4 |
| CUMULATIVE JANUARY 1 - MAY 12, 2006 = | 9.1 | 389.0 | COMPARABLE CALENDAR YEAR 2005 = | 0.0 | 0.0 |

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MAY 8 - 12, 2006 (POUNDS)

| REGION | BUTTER | | | CHEESE | | | NONFAT DRY MILK | |
|---------|--------|----------|----------|--------|--------|---------|-----------------|-----------|
| | BULK | PACKAGED | UNSALTED | BLOCK | BARREL | PROCESS | NONFORTIFIED | FORTIFIED |
| CENTRAL | -0- | -0- | -0- | -0- | -0- | 198,000 | -0- | -0- |
| WEST | -0- | -0- | -0- | -0- | -0- | -0- | 5,995,562 | -0- |
| EAST | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

| REGION | BUTTER | | CHEESE | | NONFAT DRY MILK | | MILK EQUIVALENT (%) | |
|--------------|---------|---------|---------|---------|-----------------|------------|---------------------|---------|
| | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| CENTRAL | -0- | -0- | 198,000 | -0- | 1,364,259 | 1,331,567 | 23.3 | 4.2 |
| WEST | -0- | -0- | -0- | -0- | 29,480,190 | 29,415,099 | 70.9 | 92.4 |
| EAST | -0- | -0- | -0- | -0- | 2,404,476 | 1,070,603 | 5.8 | 3.4 |
| TOTAL | -0- | -0- | 198,000 | -0- | 33,248,925 | 31,817,269 | 100.0 | 100.0 |

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 04/22/06 & Comparable Week 2005

| Regions* (000 HEAD) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | U.S. TOTAL | | % DAIRY OF ALL | |
|---------------------|------|-----|-----|------|------|------|------|------|------|-----|------------------|------------------|----------------|------|
| | | | | | | | | | | | WEEK SINCE JAN 1 | WEEK SINCE JAN 1 | | |
| 2006-Dairy | N.A. | 0.5 | 5.2 | 2.3 | 13.4 | 2.5 | 0.4 | N.A. | 13.4 | 1.6 | 40.2 | 741.7 | 43.4 | 46.4 |
| 2005-Dairy | N.A. | 0.6 | 6.0 | 1.8 | 12.8 | 2.5 | 0.9 | N.A. | 11.1 | 2.4 | 38.8 | 776.7 | 46.1 | 49.2 |
| 2006-All cows | N.A. | 0.5 | 6.5 | 10.9 | 25.8 | 16.0 | 12.7 | N.A. | 15.1 | 2.1 | 92.7 | 1,598.9 | | |
| 2005-All cows | N.A. | 0.6 | 7.5 | 10.3 | 23.7 | 12.2 | 10.3 | N.A. | 12.6 | 4.7 | 84.2 | 1,579.6 | | |

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2002 | 11.87 | 11.63 | 10.65 | 10.85 | 10.82 | 10.09 | 9.33 | 9.54 | 9.92 | 10.72 | 9.84 | 9.74 |
| 2003 | 9.78 | 9.66 | 9.11 | 9.41 | 9.71 | 9.75 | 11.78 | 13.80 | 14.30 | 14.39 | 13.47 | 11.87 |
| 2004 | 11.61 | 11.89 | 14.49 | 19.66 | 20.58 | 17.68 | 14.85 | 14.04 | 14.72 | 14.16 | 14.89 | 16.14 |
| 2005 | 14.14 | 14.70 | 14.08 | 14.61 | 13.77 | 13.92 | 14.35 | 13.60 | 14.30 | 14.35 | 13.35 | 13.37 |

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

| CLASS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-------|-------|-------|-------|-------|-------|-----|-----|-----|-----|-----|-----|-----|
| I 1/ | 13.38 | 13.38 | 12.49 | 11.22 | 10.97 | | | | | | | |
| II | 13.25 | 12.62 | 11.69 | 11.37 | | | | | | | | |
| III | 13.39 | 12.20 | 11.11 | 10.93 | | | | | | | | |
| IV | 12.20 | 11.10 | 10.68 | 10.36 | | | | | | | | |

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm

INTERNATIONAL DAIRY MARKET NEWS

Information gathered May 1 - 12, 2006

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Late spring and early summer weather conditions are being reported in most European countries. Some milk handlers state that weather conditions have gone from late winter to early summer and completely skipped spring. Up to this point, milk production has been slowly increasing and most milk handlers feel that steady gains will continue as long as temperatures do not get too hot too early. Although gains are being reported, milk output in Germany and France is lagging last year at this time by 2%. In the U.K., output is trailing last season by 1.5%. Elsewhere in Europe, milk production is level with last season to up slightly. Manufacturing schedules are also building, but overall are trailing last season. European manufacturers and handlers are not overly concerned about the slow growth in manufactured dairy product inventories at this time. Most indicate that sales activity continues to center around an internal market with international sales very limited. Some small lot, immediate shipment sales are being reported, but overall sales activity is slower than usual for this time of the season. A firm Euro against the U.S. dollar is also slowing international sales potential and is putting downward pressure on current offering prices. The Dairy Management Committee had their bi-weekly meeting on Thursday, May 11. For the period of March 1 – May 5, no skim milk powder has been offered to the program but butter clearance now total 34,573 metric tons. Many butter producers and handlers were of the thought early on in the open intervention season that offerings would be heavy and the 50,000 metric ton maximum level would be filled by mid May. Now that it is mid May, they are pushing this prediction into late May to early June. Also at this time, grazing of the dairy herd is becoming more prevalent and butter produced from “grass” milk is often cleared to PSA versus intervention which may slow attaining intervention maximum levels.

BUTTER/BUTTEROIL: Butter markets and prices are holding steady. Commercial butter sales are slow and unaggressive, thus surplus butter is clearing to intervention and PSA. As of May 5, butter intervention totals are at 34,573 MT and PSA stock levels are at 48,016 MT. Earlier in the year, traders and handlers felt that heavy offerings to intervention would fill maximum levels by mid May, but this being mid May, they are pushing their projections forward until late May or June. Some feel that future offerings might slow as PSA offerings often increase at this time of the season due to increasing pasture generated milk volumes and subsequent butter production.

82% BUTTERFAT: 1,850 - 2,075

99% BUTTERFAT: 2,250 - 2,425

SKIM MILK POWDER (SMP): European skim milk powder markets are unsettled with prices unchanged to lower within the reported range. A weak U.S. dollar against the Euro is putting downward pressure on current offering prices. Powder production is increasing seasonally although lighter than in years past at this time. Current lighter than usual production is not a major concern for many European traders and handlers due to the slow international market and current asking prices. Most feel that prices will need to ease if they want to be competitive once buyer interest resumes. Commercial prices remain well above intervention levels, thus no powder has cleared to the program thus far this open season.

1.25% BUTTERFAT: 2,200 - 2,350

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are generally steady, although an unsettled undertone is developing. Much of the unsettledness is occurring due to the weak U.S. dollar against the Euro. Traders and handlers feel that price will need to adjust lower to remain competitive in the international market place even though international sales are slow. Whole milk powder production is increasing in Europe as milk volumes increase.

26% BUTTERFAT: 2,100 - 2,250

SWEET WHEY POWDER: Whey powder markets and prices remain firm. Many within the market place are quite surprised at the maintained strength to this market. Cheese production is seasonally quite active, thus whey volumes also remain available. Higher than desired asking prices for European offerings are limiting international sales activity. Most sales activity continues to center around an internal of domestic market.

NONHYGROSCOPIC: 800 - 875

EASTERN OVERVIEW: Weather conditions for good milk production growth are being reported in Eastern Europe. It has been a cool spring thus far, but now temperatures have warmed and pasture growth is gaining momentum, thus milk volumes are on the increase. Manufacturing schedules are increasing, absorbing the increasing milk volumes. Traders and handlers indicate that international sales activity is slow, thus a significant portion of current

OCEANIA

OCEANIA OVERVIEW: Oceania milk production continues to decline, although, for the most part, output in New Zealand is at seasonal low levels with Australian output not far behind. With the fiscal yearend in New Zealand occurring at the end of May, milk handlers and producers indicate that output will be behind projections, but will be finishing the year on a positive note. Producers and handlers state that the first half of the season was not so good, but improved second half strength caused total output figures to recover somewhat. Most feel that total output will be even with last season with some anticipating final figures to come in at slightly higher levels than last year. For Australian producers, their fiscal yearend will occur one month later, June 30. Up to this point, cumulative production figures are not as positive as earlier projected or realized. The season started off very strong, but prolonged mid-year heat removed production momentum for the second half of the season. Although official production figures for March are not yet available, producers and handlers feel that the downward trend (when compared to last year) will continue and output will trail last season on a cumulative basis. As milk receipts decline at manufacturing facilities, production schedules are also being altered and reduced. Some plants have already ceased manufacturing schedules for the season while others are reducing production days during the week. When possible, plants are directing milk volumes toward products of best return and whole milk powder is often the product of choice. Traders and handlers report no new sales at this time. Most market activity continues to center around previous commitments. Stocks are declining as the milk production season winds down. Some traders state that they will be procuring stocks from pre-arranged outside sources to fulfill their contract commitments. With this situation occurring, many handlers and traders are now reporting that they will not have any additional or surplus product available for spot buyers in the near future.

BUTTER: Oceania butter markets are generally steady at unchanged prices. Some Oceania traders indicate that lower priced butter offerings in other parts of the international market are putting downward pricing pressure on current Oceania offering prices. Some suppliers are lowering their prices while others are holding theirs. Butter production is edging lower and often demand is surpassing fresh supply, thus inventoried stocks are filling shortages.

82% BUTTERFAT: 1,700 - 1,900

CHEDDAR CHEESE: Oceania cheese markets are steady with prices unchanged to slightly higher. Traders and handlers state that supplies are in balance with need and shipments are occurring as scheduled. Most suppliers feel that stocks will be sufficient to carry them through the winter months. Sales negotiations are occurring for 2006 – 2007 production. Early reports indicate that buyer interest will be quite similar to the current year, but additional buyer need is developing.

39% MAXIMUM MOISTURE: 2,550 - 2,800

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are generally steady. Powder production is near a seasonal end as milk volumes decline. Producers and handlers state that powder supplies will be in close balance with some indicating that they will be tapping pre-arranged outside sources for supplemental powder stocks to fully acknowledge commitments.

1.25% BUTTERFAT: 2,050 - 2,100

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are holding steady. As the milk production season draws to a close, whole milk powder production appears to be the most active. Many handlers and traders feel that inventoried stocks and end of the season output will be sufficient to fill commitments prior to the start of the new milk production and sales period. Basically all market activity continues to center around previous commitments.

26% BUTTERFAT: 2,050 - 2,150

Exchange rates for selected foreign currencies: May 8, 2006

| | |
|-----------------------|--------------------------|
| .8988 Canadian Dollar | .0223 Indian Rupee |
| .3291 Argentina Peso | .6330 New Zealand Dollar |
| .0914 Mexican Peso | .7685 Australian Dollar |
| .3325 Polish Zloty | .0090 Japanese Yen |
| | 1.2706 Euro |

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0914)=
10.9409 Mexican Pesos. Source: “Wall Street Journal”

EASTERN OVERVIEW CONTINUED: production is entering inventory programs. Traders report that Eastern offering prices are often slightly lower than Western European offerings, but still are not generating any type of buyer interest.

CHICAGO MERCANTILE EXCHANGE FUTURESSelected settling prices, (open interest), and volume 1/

| Month | 04/26 | 04/27 | 04/28 | 05/01 | 05/02 | 05/03 | 05/04 | 05/05 | 05/08 | 05/09 |
|--|------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|------------------|------------------|------------------|
| CME - CLASS III MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| APR 06 | 10.95 (3007) 4 | 10.95 (2923) 63 | 10.95 (2905) 14 | 10.95 (2907) 0 | 10.95 (2908) 0 | 10.94 (2908) 0 | 10.94 (2911) 3 | 10.93 (2573) 0 | | |
| MAY 06 | 11.03 (3163) 15 | 10.85 (3120) 58 | 10.86 (3106) 40 | 10.87 (3092) 71 | 10.85 (3096) 7 | 10.83 (2980) 67 | 10.83 (2968) 39 | 10.81 (3173) 230 | 10.72 (3189) 20 | 10.71 (3185) 206 |
| JUN 06 | 11.08 (3330) 68 | 10.96 (3301) 93 | 10.92 (3310) 13 | 10.91 (3325) 59 | 10.91 (3334) 16 | 10.88 (3346) 14 | 10.90 (3357) 36 | 10.89 (3355) 14 | 10.80 (3361) 64 | 10.82 (3331) 110 |
| JUL 06 | 11.47 (3367) 113 | 11.35 (3387) 71 | 11.35 (3417) 64 | 11.31 (3436) 51 | 11.33 (3441) 38 | 11.29 (3461) 95 | 11.29 (3458) 13 | 11.27 (3455) 22 | 11.15 (3465) 100 | 11.16 (3447) 110 |
| AUG 06 | 11.80 (3418) 76 | 11.63 (3465) 83 | 11.65 (3460) 20 | 11.64 (3468) 36 | 11.65 (3473) 37 | 11.63 (3502) 116 | 11.63 (3538) 33 | 11.60 (3547) 288 | 11.45 (3618) 241 | 11.45 (3687) 235 |
| SEP 06 | 12.00 (3408) 60 | 11.90 (3421) 40 | 11.90 (3425) 6 | 11.90 (3430) 13 | 11.92 (3440) 24 | 11.88 (3463) 88 | 11.90 (3469) 3 | 11.90 (3447) 62 | 11.80 (3468) 68 | 11.84 (3478) 27 |
| OCT 06 | 12.00 (3088) 49 | 11.90 (3108) 26 | 11.90 (3106) 3 | 11.90 (3106) 4 | 11.90 (3108) 6 | 11.83 (3120) 26 | 11.86 (3120) 1 | 11.90 (3117) 13 | 11.82 (3128) 68 | 11.83 (3127) 10 |
| NOV 06 | 11.78 (2841) 44 | 11.73 (2849) 17 | 11.68 (2850) 3 | 11.70 (2850) 0 | 11.70 (2849) 9 | 11.70 (2849) 0 | 11.70 (2849) 0 | 11.70 (2850) 8 | 11.62 (2878) 67 | 11.65 (2892) 14 |
| DEC 06 | 11.72 (2644) 58 | 11.70 (2672) 32 | 11.67 (2669) 11 | 11.67 (2670) 3 | 11.67 (2672) 2 | 11.69 (2684) 9 | 11.69 (2684) 1 | 11.69 (2687) 11 | 11.60 (2692) 28 | 11.60 (2692) 0 |
| JAN 07 | 11.67 (640) 11 | 11.67 (642) 3 | 11.67 (642) 1 | 11.70 (642) 0 | 11.75 (646) 8 | 11.75 (651) 13 | 11.75 (651) 0 | 11.77 (658) 7 | 11.75 (666) 9 | 11.75 (671) 5 |
| FEB 07 | 11.66 (598) 1 | 11.66 (598) 4 | 11.66 (598) 0 | 11.68 (598) 0 | 11.72 (600) 7 | 11.75 (619) 20 | 11.76 (619) 1 | 11.77 (630) 11 | 11.77 (637) 8 | 11.77 (638) 3 |
| MAR 07 | 11.65 (631) 1 | 11.65 (631) 4 | 11.65 (631) 0 | 11.68 (631) 1 | 11.75 (637) 17 | 11.75 (651) 18 | 11.75 (667) 16 | 11.77 (674) 10 | 11.77 (685) 7 | 11.75 (687) 5 |
| APR 07 | 11.90 (436) 8 | 11.90 (440) 5 | 11.90 (440) 0 | 11.90 (448) 12 | 11.90 (450) 2 | 11.92 (450) 3 | 11.92 (452) 2 | 11.95 (459) 8 | 11.95 (461) 2 | 11.95 (461) 0 |
| MAY 07 | 11.98 (429) 11 | 11.98 (433) 5 | 11.98 (433) 0 | 11.99 (438) 8 | 11.99 (438) 1 | 11.99 (438) 10 | 11.99 (438) 0 | 11.99 (445) 8 | 11.99 (445) 2 | 11.99 (445) 0 |
| JUN 07 | 12.14 (394) 6 | 12.14 (396) 5 | 12.14 (396) 1 | 12.14 (401) 8 | 12.14 (401) 1 | 12.14 (401) 7 | 12.14 (401) 0 | 12.15 (407) 8 | 12.15 (407) 2 | 12.15 (407) 0 |
| JUL 07 | 12.28 (303) 8 | 12.28 (306) 3 | 12.30 (306) 0 | 12.32 (307) 7 | 12.34 (317) 15 | 12.36 (316) 7 | 12.36 (316) 0 | 12.40 (314) 25 | 12.40 (314) 2 | 12.40 (314) 0 |
| CME - CLASS IV MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| APR 06 | 10.55 (1) 0 | 10.55 (1) 0 | 10.55 (1) 0 | 10.55 (1) 0 | 10.55 (1) 0 | 10.50 (1) 0 | 10.42 (1) 0 | 10.36 (1) 0 | | |
| MAY 06 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 | 10.70 (1) 0 |
| JUN 06 | 10.80 (6) 0 | 10.80 (6) 0 | 10.80 (6) 0 | 10.70 (6) 0 | 10.70 (6) 0 | 10.70 (6) 0 | 10.70 (6) 0 | 10.70 (6) 0 | 10.70 (6) 0 | 10.70 (6) 0 |
| CME - PRODUCT SETTLED BUTTER FUTURES (Pit-Traded) | | | | | | | | | | |
| MAY 06 | 121.00 (140) 17 | 120.00 (131) 14 | 118.50 (118) 14 | 118.00 (107) 13 | 117.50 (102) 3 | 117.50 (102) 0 | 117.50 (102) 1 | 117.50 (100) 3 | 117.50 (99) 1 | 117.00 (52) 4 |
| JUL 06 | 122.50 (364) 10 | 122.50 (373) 14 | 122.50 (376) 3 | 121.25 (373) 7 | 120.25 (379) 11 | 120.25 (381) 5 | 121.00 (382) 5 | 121.00 (384) 4 | 121.00 (384) 0 | 120.25 (371) 13 |
| SEP 06 | 126.00 (339) 4 | 126.00 (344) 5 | 124.50 (344) 0 | 124.50 (344) 1 | 124.50 (344) 0 | 124.50 (344) 0 | 124.25 (348) 4 | 124.25 (348) 1 | 124.25 (348) 0 | 123.75 (358) 13 |
| OCT 06 | 126.50 (188) 0 | 126.00 (190) 2 | 125.50 (190) 0 | 125.50 (190) 0 | 124.75 (190) 4 | 124.75 (190) 0 | 124.55 (193) 3 | 124.75 (193) 0 | 125.00 (191) 3 | 124.50 (193) 4 |
| CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded) | | | | | | | | | | |
| APR 06 | 115.00 (301) 0 | 115.00 (301) 0 | 115.00 (301) 0 | 115.00 (301) 0 | 115.00 (301) 0 | 115.00 (301) 0 | 115.00 (301) 0 | 114.36 (301) 0 | | |
| MAY 06 | 120.00 (494) 9 | 118.50 (494) 0 | 118.50 (494) 0 | 118.50 (494) 0 | 118.00 (493) 2 | 117.50 (494) 3 | 117.25 (489) 10 | 117.75 (473) 16 | 117.75 (472) 1 | 117.75 (470) 2 |
| JUN 06 | 121.00 (527) 1 | 118.50 (526) 4 | 118.50 (526) 2 | 118.50 (508) 0 | 118.25 (527) 5 | 118.05 (529) 3 | 118.50 (529) 5 | 118.50 (529) 0 | 118.50 (529) 3 | 118.00 (534) 10 |

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-250-3208.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, APRIL

Component Price Information: Under the Federal milk order pricing system, the butterfat price for April 2006 is \$1.2343 per pound. Thus, the Class II butterfat price is \$1.2413. The protein and other solids prices for April are \$1.9238 and \$0.1508 per pound, respectively. These component prices set the Class III skim milk price at \$6.85 per cwt. The April Class IV skim milk price is \$6.26 which is derived from the nonfat solids price of \$0.6959 per pound. **Product Price Averages:** The product price averages for April are: butter \$1.1436, nonfat dry milk \$0.8429, cheese \$1.1654, and dry whey \$0.3054.

| FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/ | | | | | | |
|---|-----------------|------------------------|----------|-----------|----------|----------|
| FEDERAL MILK ORDER MARKETING AREAS 3/ | ORDER NUMBER | APRIL 2006 | | | | MAY 2006 |
| | | CLASS I | CLASS II | CLASS III | CLASS IV | CLASS I |
| | | DOLLARS PER 100 POUNDS | | | | |
| Northeast (Boston) 4/ | 001 | 14.47 | 11.37 | 10.93 | 10.36 | 14.22 |
| Appalachian (Charlotte) 5/ | 005 | 14.32 | 11.37 | 10.93 | 10.36 | 14.07 |
| Southeast (Atlanta) 6/ | 007 | 14.32 | 11.37 | 10.93 | 10.36 | 14.07 |
| Florida (Tampa) 7/ | 006 | 15.22 | 11.37 | 10.93 | 10.36 | 14.97 |
| Midwest (Cleveland) 8/ | 033 | 13.22 | 11.37 | 10.93 | 10.36 | 12.97 |
| Upper Midwest (Chicago) 9/ | 030 | 13.02 | 11.37 | 10.93 | 10.36 | 12.77 |
| Central (Kansas City) 10/ | 032 | 13.22 | 11.37 | 10.93 | 10.36 | 12.97 |
| Southwest (Dallas) 11/ | 126 | 14.22 | 11.37 | 10.93 | 10.36 | 13.97 |
| Arizona-Las Vegas (Phoenix) 12/ | 131 | 13.57 | 11.37 | 10.93 | 10.36 | 13.32 |
| Pacific Northwest (Seattle) 13/ | 124 | 13.12 | 11.37 | 10.93 | 10.36 | 12.87 |
| All-Market Average | --- | 13.87 | 11.37 | 10.93 | 10.36 | 13.62 |

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

MARCH 2006 DAIRY PRODUCTS HIGHLIGHTS

NOTICE: The reported mix of products has changed.

BUTTER production was 142.0 million pounds in March, 16.0 percent above March 2005 and 3.7 percent above February 2006. **AMERICAN TYPE CHEESE** production totaled 338.4 million pounds, 2.1 percent above March 2005 and 11.2 percent above February 2006. **TOTAL CHEESE** output (excluding cottage cheese) was 809.7 million pounds, 1.5 percent above March 2005 and 12.3 percent above February 2006. **NONFAT DRY MILK** production, for human food, totaled 128.1 million pounds, 17.2 percent above March 2005 and 9.1 percent above February 2006. **DRY WHEY** production, for human food, was 97.8 million pounds, 17.1 percent above March 2005 and 15.9 percent above February 2006. **ICE CREAM** (hard) production totaled 77.9 million gallons, 1.1 percent below March 2005 but 23.8 percent above February 2006.

| PRODUCTION OF DAIRY PRODUCTS | | | | | | | | | |
|---------------------------------|------------|----------------------|----------|-----------------|-----------------------------------|---------------|----------------------|----------|-----------------|
| PRODUCT | MAR 2006 | PERCENT CHANGE FROM: | | | PRODUCT | MAR 2006 | PERCENT CHANGE FROM: | | |
| | 1,000 LBS. | MAR 2005 | FEB 2006 | YEAR TO DATE 1/ | | 1,000 LBS. | MAR 2005 | FEB 2006 | YEAR TO DATE 1/ |
| BUTTER | 142,025 | 16.0 | 3.7 | 16.0 | YOGURT (PLAIN AND FLAVORED) | 285,682 | 3.5 | 20.0 | 5.4 |
| CHEESE | | | | | DRY WHEY PRODUCTS | | | | |
| AMERICAN TYPES 2/ | 338,396 | 2.1 | 11.2 | 2.2 | DRY WHEY, HUMAN FOOD | 97,846 | 17.1 | 15.9 | --- |
| CHEDDAR | 270,566 | 0.7 | 9.8 | 1.8 | DRY WHEY, ANIMAL FEED | 3,917 | -52.2 | -25.6 | --- |
| SWISS | 26,171 | 8.3 | 8.4 | --- | DRY WHEY, TOTAL | 101,763 | 10.9 | 13.4 | 8.7 |
| BRICK & MUENSTER | 8,855 | 33.0 | 14.9 | --- | REDUCED LACTOSE AND MINERALS | | | | |
| CREAM & NEUFCHATEL | 55,928 | -6.4 | 20.0 | --- | HUMAN FOOD | 4,046 | 12.1 | 17.6 | --- |
| HISPANIC | 15,355 | 4.9 | 9.6 | --- | ANIMAL FEED | 4,027 | -7.4 | 10.6 | --- |
| MOZZARELLA | 271,511 | 0.6 | 11.8 | 1.9 | LACTOSE, HUMAN FOOD & ANIMAL FEED | 58,145 | 4.0 | 12.1 | --- |
| OTHER ITALIAN TYPES | 71,947 | 4.5 | 11.0 | 5.5 | WHEY PROTEIN CONCENTRATE | | | | |
| TOTAL ITALIAN TYPES | 343,458 | 1.4 | 11.6 | 2.6 | HUMAN FOOD 7/ | 30,055 | 13.8 | 5.2 | --- |
| ALL OTHER TYPES | 21,507 | -2.8 | 30.5 | --- | ANIMAL FEED 7/ | 5,012 | 17.7 | 13.5 | --- |
| TOTAL | 809,670 | 1.5 | 12.3 | 2.1 | TOTAL 7/ | 35,067 | 14.3 | 6.3 | --- |
| COTTAGE CHEESE, CURD 3/ | 40,235 | -0.6 | 17.8 | --- | 25.0-49.9 PERCENT 8/ | 25,793 | 15.8 | 5.9 | --- |
| COTTAGE CHEESE, CREAM 4/ | 31,698 | -3.0 | 16.6 | -3.8 | 50.0-89.9 PERCENT 8/ | 9,274 | 10.3 | 7.4 | --- |
| COTTAGE CHEESE, LOWFAT 5/ | 35,703 | 1.8 | 15.9 | 0.2 | PROTEIN ISOLATES 9/ | 2,619 | 5.3 | 12.7 | --- |
| CANNED EVAP & CONDSO WHOLE MILK | 43,059 | -11.7 | 18.6 | --- | FROZEN PRODUCTS | 1,000 GALLONS | PERCENT CHANGE FROM: | | |
| DRY WHOLE MILK | 2,421 | -8.3 | -24.6 | --- | ICE CREAM (HARD) | 77,914 | -1.1 | 23.8 | -1.9 |
| NONFAT DRY MILK (NDM), HUMAN | 128,128 | 17.2 | 9.1 | 17.7 | ICE CREAM, LOWFAT (HARD) | 9,779 | 3.2 | 23.8 | --- |
| SKIM MILK POWDERS (SMP) 6/ | 19,989 | -29.0 | -22.0 | --- | ICE CREAM, LOWFAT (SOFT) | 22,587 | -3.7 | 39.1 | --- |
| DRY BUTTERMILK | 7,392 | 29.8 | 19.7 | --- | ICE CREAM, LOWFAT (TOTAL) | 32,366 | -1.7 | 34.1 | -1.6 |
| SOUR CREAM | 87,834 | 0.2 | 14.3 | 3.2 | YOGURT (TOTAL) | 6,062 | 2.0 | 34.0 | -3.2 |

| MANUFACTURERS' STOCKS, END OF MONTH 10/ | | | | | | | |
|---|------------|-------------|----------|-----------------------------------|------------|-------------|----------|
| PRODUCT | MAR 2006 | PERCENT OF: | | PRODUCT | MAR 2006 | PERCENT OF: | |
| | 1,000 LBS. | MAR 2005 | FEB 2006 | | 1,000 LBS. | MAR 2005 | FEB 2006 |
| DRY WHEY PRODUCTS | | | | WHEY PROTEIN CONCENTRATE | | | |
| DRY WHEY, HUMAN FOOD | 40,641 | 16.7 | 11.6 | HUMAN FOOD 7/ | 29,320 | 25.1 | 7.1 |
| DRY WHEY, ANIMAL FEED | 1,632 | -64.3 | -55.6 | ANIMAL FEED 7/ | 2,138 | 3.6 | -1.9 |
| REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 11/ | 6,179 | 43.3 | 23.3 | TOTAL 7/ | 31,458 | 23.4 | 6.4 |
| LACTOSE, HUMAN FOOD & ANIMAL FEED | 41,523 | -35.8 | -2.1 | 25.0-49.9 PERCENT 8/ | 19,861 | 30.6 | 10.2 |
| CANNED EVAP & CONDSO WHOLE MILK | 40,738 | -7.0 | -34.2 | 50.0-89.9 PERCENT 8/ | 11,597 | 12.7 | 0.6 |
| DRY BUTTERMILK | 15,596 | 180.4 | -8.6 | NONFAT DRY MILK (NDM), HUMAN FOOD | 126,499 | 49.2 | 5.9 |

1/ 2006 cumulative as percent change of 2005 cumulative. 2/ Includes Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Includes protein standardized and blends. 7/ Whey Protein Concentrate, 25.0 to 89.9 percent. 8/ Whey Protein Concentrate Human and Animal. 9/ Whey Protein Isolates, 90.0 percent or greater. 10/ Stocks held by manufacturers at all points and in transit. 11/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (5-06), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, FEBRUARY 2006

In February 2006, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$13.57 per cwt., \$.86 less than the figure for the previous month. The component tests of producer milk in February 2006 were: butterfat, 3.76%; protein, 3.07%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas, and ranged from \$16.68 in Florida to \$11.57 in New Mexico. In February 2005, the Federal milk order all-area average mailbox price was \$15.24, \$1.67 higher.

| Reporting Area | Mailbox Milk Price <u>2/</u> | | |
|------------------------------------|------------------------------|-----------------|------------------|
| | February 2005 | January 2006 | February 2006 |
| | Dollars per hundredweight | | |
| New England States <u>3/</u> | 15.75 | 15.08 | 14.42 |
| New York | 15.28 | 14.55 | 13.93 |
| Eastern Pennsylvania <u>4/</u> | 15.59 | 14.96 | 14.32 |
| Appalachian States <u>5/</u> | 15.18 | 14.87 | 14.44 |
| Southeast States <u>6/</u> | 15.61 | 15.81 | 15.31 |
| Southern Missouri <u>7/</u> | 14.75 | 13.94 | 13.48 |
| Florida | 16.87 | 17.31 | 16.68 |
| Western Pennsylvania <u>8/</u> | 15.53 | 14.88 | 14.08 |
| Ohio | 15.41 | 14.64 | 13.88 |
| Indiana | 15.27 | 14.53 | 13.96 |
| Michigan | 15.13 | 14.48 | 13.56 |
| Wisconsin | 15.91 | 14.70 | 13.62 |
| Minnesota | 15.61 | 14.17 | 13.16 |
| Iowa | 15.39 | 14.43 | 13.47 |
| Illinois | 15.42 | 14.68 | 13.72 |
| Corn Belt States <u>9/</u> | 14.37 | 13.65 | 12.65 |
| Western Texas <u>10/</u> | 14.42 | 13.58 | 12.45 |
| New Mexico | 13.65 | 12.74 | 11.57 |
| Northwest States <u>11/</u> | 13.97 | 13.46 | 12.75 |
| All Federal Order Areas <u>12/</u> | 15.24 | 14.43 | 13.57 |
| California <u>13/</u> | 14.86 | 12.87 | 11.52 |

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. 4/ All the counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those to the west of these. 9/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 7/. 10/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of the information for all selected reporting areas in Federal milk orders. Previous year figures have not been revised for new reporting areas. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

MARCH FLUID MILK SALES

During March, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.7 percent higher than March 2005. After adjusting for calendar composition, sales in March 2006 were 2.1 percent higher than March 2005. On an individual product basis, sales of reduced fat (2%) milk, low fat milk (1%), fat-free (skim) milk, and flavored fat-reduced milk increased from March 2005, while sales of whole milk, flavored whole milk, and buttermilk decreased from a year earlier. It is likely that the timing of the Easter holiday this year has had a positive impact on the change in sales from March 2006 compared to March 2005.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dvfmoms/mib/in-areasales.htm>. Revised data for January 2006 and February 2006 can also be found at that location.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
MARCH 2006, WITH COMPARISONS 1/

| Product Name | Sales | | Change from: 2/ | |
|--|-----------|--------------|-----------------|--------------|
| | March | Year to Date | Previous Year | Year to Date |
| | Mil. Lbs. | | Percent | |
| Whole Milk | 1,455 | 4,208 | -1.3 | -2.0 |
| Flavored Whole Milk | 61 | 178 | -8.7 | -4.8 |
| Reduced Fat Milk (2%) | 1,569 | 4,529 | 4.5 | 3.4 |
| Low Fat Milk (1%) | 574 | 1,648 | 4.4 | 2.6 |
| Fat-Free Milk (Skim) | 712 | 2,056 | 3.8 | 2.8 |
| Flavored Fat-Reduced Milk | 371 | 1,061 | 8.5 | 3.4 |
| Buttermilk | 46 | 130 | -2.0 | 0.0 |
| Total Fluid Milk Products 3/ | 4,807 | 13,863 | 2.7 | 1.5 |
| Total Fluid Milk Products Adjusted 3/ 4/ | 4,768 | 13,877 | 2.1 | 1.2 |

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. Note that the expansion of the Appalachian order in November 2005 has increased the proportion that reported figures are of total U.S. sales, thus we have increased the factor that we use to estimate U.S. sales. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dvfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MARCH 2006, WITH COMPARISONS 1/

| Area (Order Number) | Sales | | Change from: 2/ | |
|----------------------------|-----------|--------------|-----------------|--------------|
| | March | Year to Date | Previous Year | Year to Date |
| | Mil. Lbs. | | Percent | |
| Northeast (001) | 818 | 2,366 | 0.3 | -0.5 |
| Appalachian (005) 3/ | 316 | 910 | 6.4 | 5.1 |
| Southeast (007) | 435 | 1,267 | 5.2 | 4.2 |
| Florida (006) | 262 | 758 | -1.2 | -1.5 |
| Mideast (033) | 551 | 1,588 | 3.4 | 1.3 |
| Upper Midwest (030) | 392 | 1,123 | 3.2 | 1.4 |
| Central (032) | 417 | 1,197 | 5.6 | 3.2 |
| Southwest (126) | 372 | 1,088 | 3.0 | 2.8 |
| Arizona-Las Vegas (131) 4/ | 116 | 332 | 7.3 | 4.9 |
| Pacific Northwest (124) | 188 | 543 | 1.5 | 1.7 |
| California (---) | 574 | 1,619 | 3.6 | 1.3 |

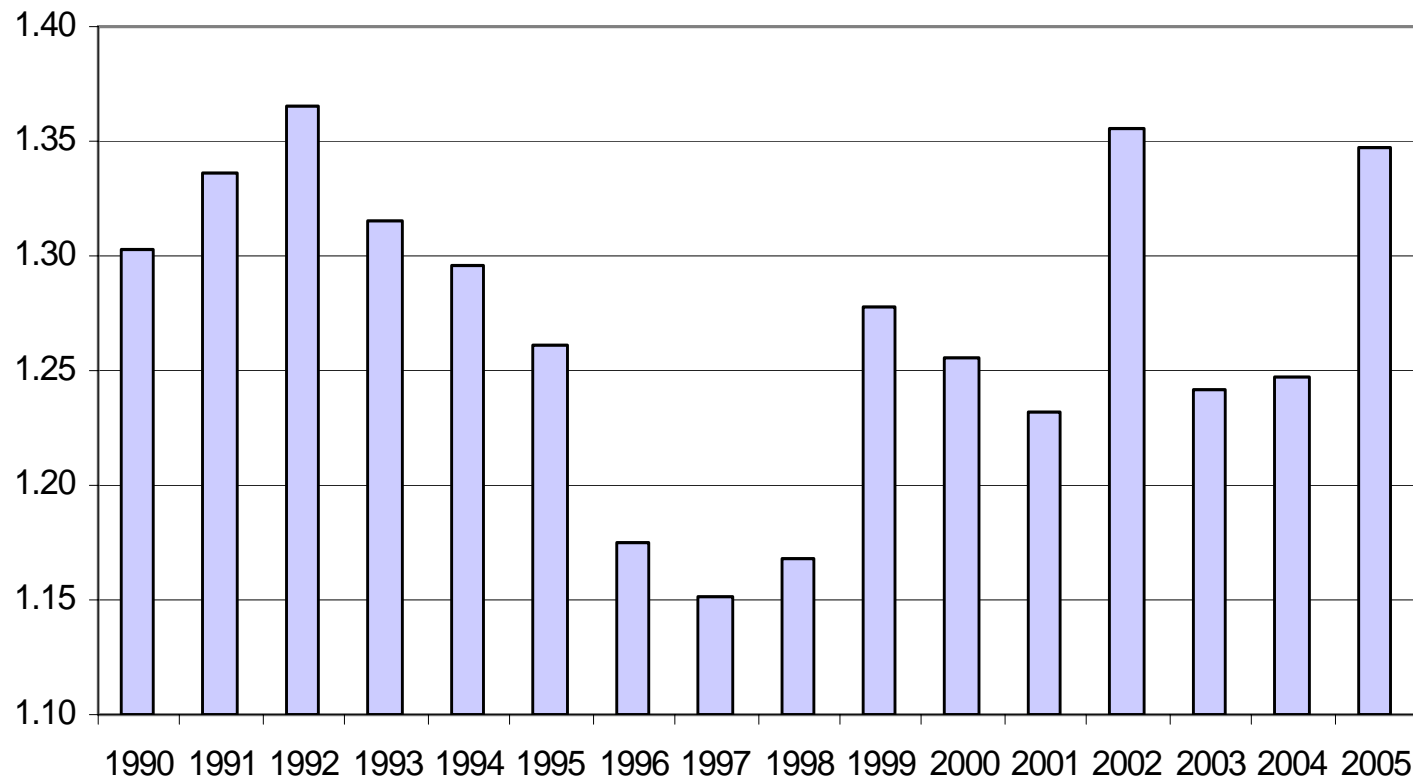
1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 5/ above.

3/ Percent changes for this market are not comparable due to an expansion in the marketing area; see 4/ above.

4/ The in-area sales data for this order does not include all the sales in the marketing area due to the reporting exemption of fluid milk processors located in Clark County, Nevada.

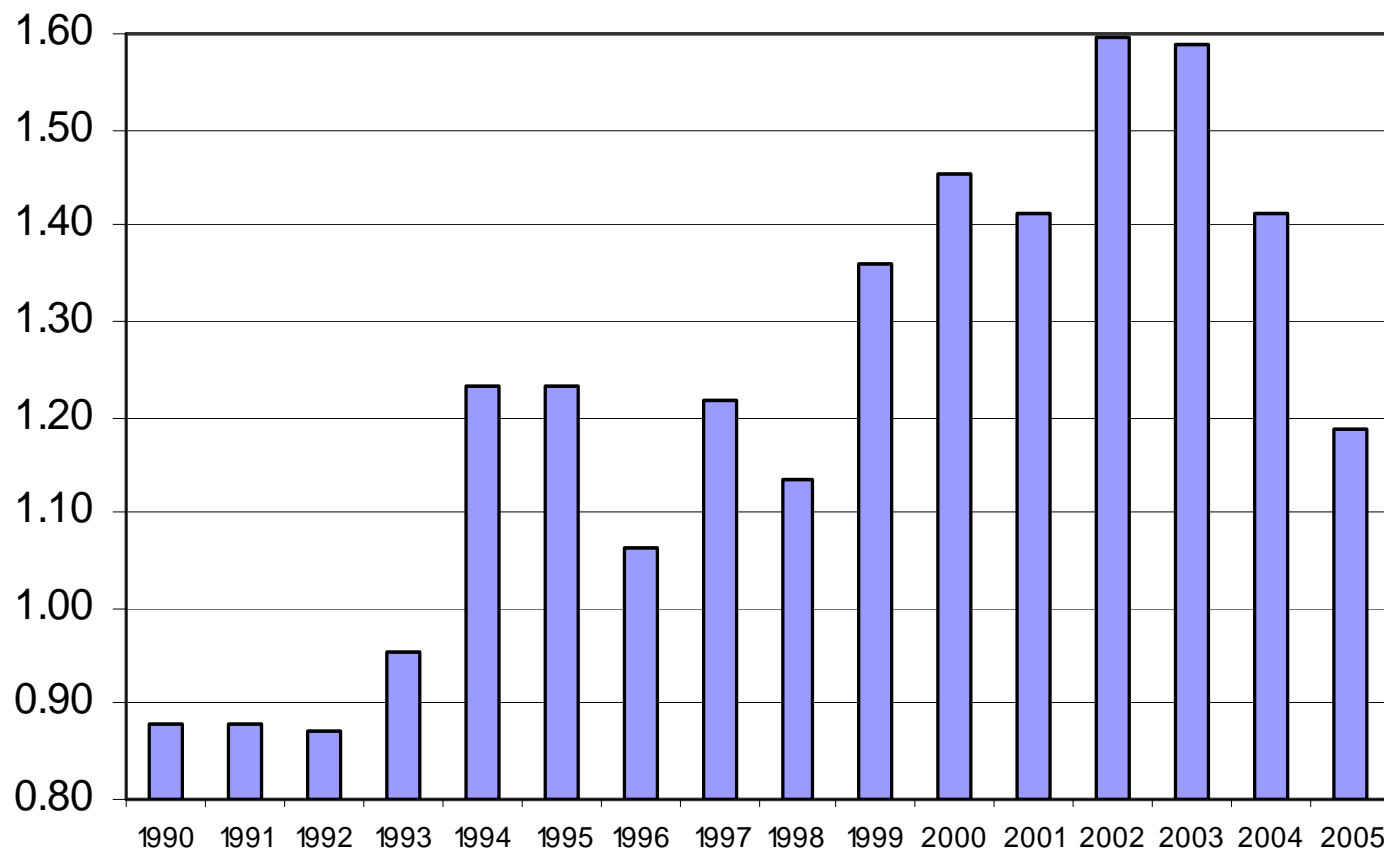
SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

BILLION POUNDS

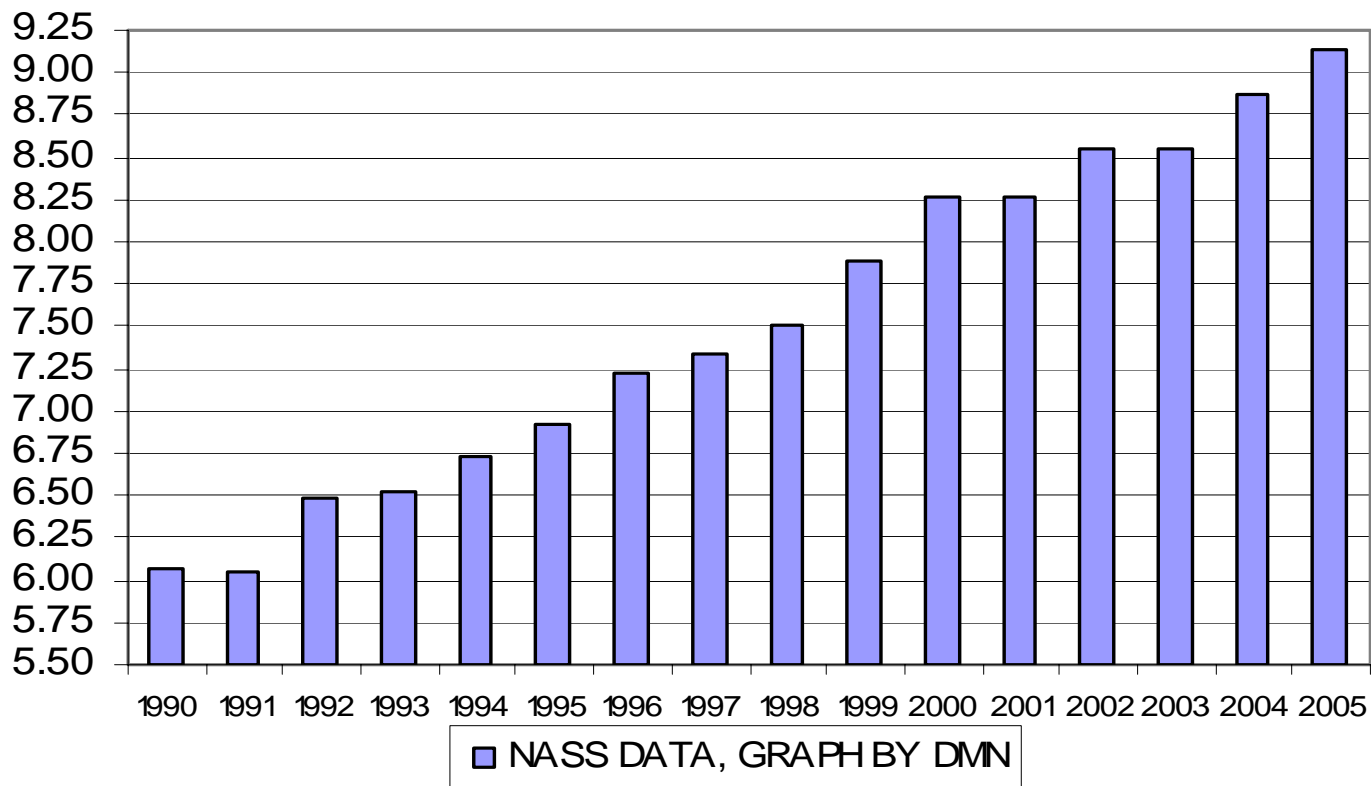
U.S. ANNUAL BUTTER PRODUCTION

NASS DATA, GRAPH BY DMN

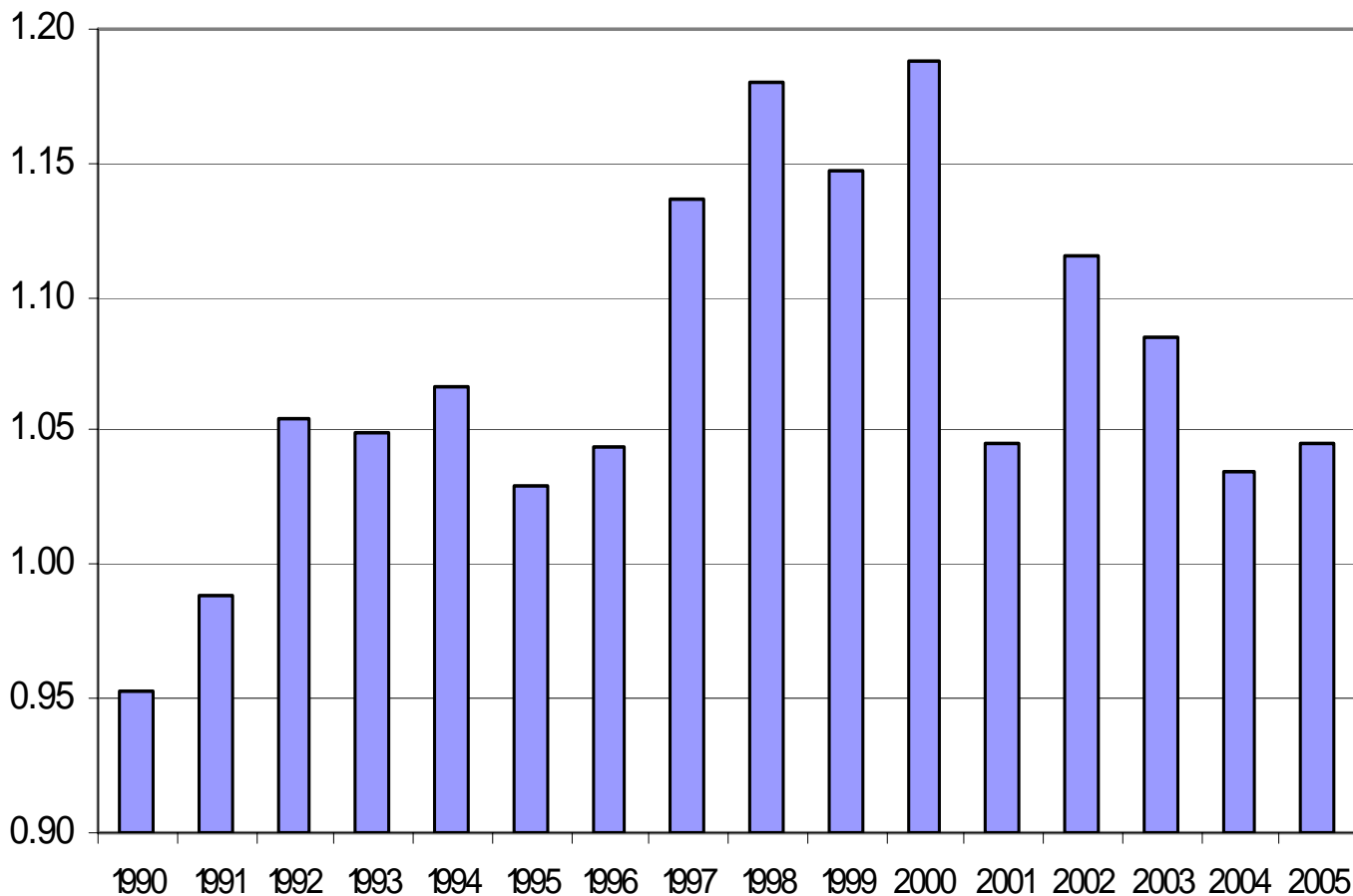
BILLION POUNDS

U.S. ANNUAL NDM PRODUCTION - HUMAN

BILLION POUNDS

U.S. TOTAL CHEESE PRODUCTION

BILLION POUNDS

U.S. ANNUAL WHEY PRODUCTION

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